United States Court of Appeals for the Federal Circuit

94-1286,-1339,-1340,-1343

IMAGINEERING, INC.,

Plaintiff-Appellee,

v.

VAN KLASSENS, INC. AND ROBERT LUKINGBEAL,

Defendants-Appellants,

and

PITTS & BRITTAIN, P.C.,
and
ROBINSON, BROG, LEINWAND, REICH, GENOVESE & GLUCK, P.C.,

Sanctioned Parties-Appellants.

DECIDED: April 24, 1995

Before NEWMAN, *Circuit Judge*, BENNETT, *Senior Circuit Judge*, and RADER, *Circuit Judge*.

RADER, *Circuit Judge*.

Imagineering, Inc. sued Van Klassens, Inc. and its founder, Robert Lukingbeal for trade dress infringement, false advertising, unfair competition, and trade dress dilution. The jury found that Van Klassens infringed Imagineering's inherently distinctive trade dress. The jury also found that Van Klassens advertised falsely and competed unfairly. The jury awarded Imagineering compensatory damages of $860,000 and punitive damages of $4 million. *Imagineering, Inc. v. Van Klassens, Inc.*, No. 92-CV-751, slip op. at 1-2 (S.D.N.Y. Apr. 4, 1994) (Final Order and Permanent Injunction). The trial court sanctioned Van

Klassens and its counsel for three procedural improprieties. *Imagineering, Inc. v. Van Klassens, Inc.*, No. 92-CV-751, slip op. at 6, 14, 25 (S.D.N.Y. Sept. 8, 1993). The trial court also denied Van Klassens' request for attorney fees incurred in defending itself against a design patent infringement suit that Imagineering brought and voluntarily withdrew. *Imagineering, Inc. v. Van Klassens, Inc.*, No. 92-CV-751, slip op. at 2 (S.D.N.Y. Oct. 7, 1993) (Endorsement).

Because the jury's findings are correct based on the evidence, this court affirms the verdict of trade dress infringement. Because the amount of the punitive damages award was arbitrary and excessive, this court vacates the award and remands for entry of a remittitur. Because the trial court abused its discretion, this court reverses the sanctions against Van Klassens and its counsel. Finally, because the trial court did not abuse its discretion, this court affirms the denial of Van Klassens' motion for attorney fees.

BACKGROUND

Imagineering has manufactured and sold WEATHEREND estate furniture since 1983. The furniture's name denotes its inspiration: chairs and tables created by architect Hans Heistad in 1913 for a Maine estate called "Weatherend. " The twelve pieces of furniture in the WEATHEREND line all share a nautical look, with wide slats, scooped seat boards and arms, rounded edges, notched and curved legs, and angled backrests. Imagineering builds its WEATHEREND furniture from solid Honduras mahogany, using West System glue, Awlgrip paint, and epoxy. Imagineering advertises the WEATHEREND line aggressively. Numerous trade journals have given WEATHEREND favorable reviews.

Robert Lukingbeal founded Van Klassens in 1986. In 1987, Van Klassens began to make and sell "English garden furniture" very similar to Imagineering's WEATHEREND line. In November 1987, Imagineering accused Van Klassens of violating section 43(a) of the Lanham Act, 15 U.S.C. § 1125 (1988), and threatened legal action. Van Klassens responded by asserting its right to make and sell its furniture. Imagineering did not take immediate legal action.

In 1991, Imagineering obtained U.S. Design Patent No. 313,320 (the '320 patent) for its WEATHEREND rocking chair. In January 1992, Imagineering sued Van Klassens. Imagineering alleged design patent infringement, trade dress infringement, and false advertising under section 43(a) of the Lanham Act, and unfair competition and trade dress dilution under New York law. Van Klassens denied infringement and asserted invalidity of the '320 patent.

In October 1992, Van Klassens counterclaimed for a declaratory judgment of invalidity and noninfringement of the '320 patent. Admitting the invalidity of the '320 patent, Imagineering withdrew its patent infringement claim in February 1993. Van Klassens did not withdraw its declaratory judgment counterclaim. In September 1993, the trial court dismissed the declaratory judgment counterclaim, over Van Klassens' objection. The trial court sanctioned Van Klassens for (1) refusing to withdraw the counterclaim voluntarily; (2) moving to compel the deposition of the attorney who prosecuted the '320 patent to issuance; and (3) filing a motion to dismiss or transfer on grounds of personal jurisdiction and venue. After Imagineering admitted invalidity of the '320 patent, Van Klassens requested attorney fees under 35 U.S.C. § 285 (1988) to redress Imagineering's attempts to enforce an invalid patent. The trial court denied this request before trial. *Imagineering, Inc. v. Van Klassens, Inc.*, No. 92-CV-751, slip op. at 2 (S.D.N.Y. Oct. 7, 1993) (Endorsement).

After a three-week trial, the jury awarded Imagineering $860,000 in compensatory damages for willful trade dress infringement, false advertising, and unfair competition. The jury also awarded Imagineering $4 million in punitive damages. The trial court awarded Imagineering $250,000 in "enhanced" Lanham Act damages under 15 U.S.C. § 1117(a)(1988), $44,251.11 in sanctions, $659,789.50 in attorney fees, and $54,603.97 in taxable costs. The trial court also permanently enjoined Van Klassens from advertising or selling furniture "sufficiently similar" to be confused with WEATHEREND furniture; from advertising comparisons between Van Klassens' and Imagineering's furniture; and from of unfairly competing" with Imagineering in any manner. *Imagineering, Inc. v. Van Klassens, Inc.*,

No. 92-CV-751, slip op. at 2-6 (S.D.N.Y. Apr. 4, 1994) (Final Order and Permanent Injunction). Van Klassens appeals.

DISCUSSION

I.

The governing statute, 28 U.S.C. § 1295(a)(1) (1988), gives this court appellate jurisdiction over cases that arise under the Patent Act, 35 U.S.C. §§ 1-307 (1988). This court also has appellate jurisdiction over claims under the Lanham Act, 15 U. S. C. §§ 105 1 - 1127 (1988), that are pendent to claims under the Patent Act. 28 U.S.C. § 1295(a)(1) (1988); *see CPG Prods. Corp. v. Pegasus Luggage. Inc.*, 776 F.2d 1007, 1011, 227 USPQ 497, 499 (Fed. Cir. 1985) (exercising appellate jurisdiction over Lanham Act claims pendent to Patent Act claims). Therefore, this court has jurisdiction over this appeal only if the case below included a claim arising under the Patent Act.

Imagineering's complaint as filed included a claim for design patent infringement. Before trial, however, Imagineering dropped this claim, and the trial court dismissed Van Klassens' declaratory judgment patent counterclaim. Nonetheless, a claim arising under patent law remained in the case. Under 35 U.S.C. § 285, Van Klassens claimed attorney fees incurred in its defense against the patent. Section 285 authorizes fee awards " in exceptional cases. " Since section 285 appears in title 35 and was enacted as a part of United States patent law, the question whether a case is exceptional within the meaning of section 285 arises under the Patent Act. Accordingly, this court may consider Van Klassens' appeal.

II.

To prevail in an action for trade dress infringement under the Lanham Act, a plaintiff must prove (1) that its mark is inherently distinctive or has acquired distinctiveness through a secondary meaning, and (2) that a likelihood of confusion exists between its product and the defendant's. *Two Pesos, Inc. v. Taco Cabana, Inc,*, 112 S. Ct. 2753, 2758 (1992).

This court reviews the jury's factual finding that trade dress is inherently distinctive, or has acquired a secondary meaning, for substantial evidence. *See Braun, Inc. v. Dynamics Corp. of Am.*, 975

F.2d 815, 825, 24 USPQ2d 1121, 1129-30 (Fed. Cir. 1992). Because trade dress issues are not unique to the exclusive jurisdiction of the United States Court of Appeals for the Federal Circuit, this court defers to the law of the regional circuit in which the district court sits. *See KeyStone Retaining Wall Sys., Inc. v. Westrock, Inc.*, 997 F.2d 1444, 1447, 27 USPQ2d 1297, 1300 (Fed. Cir. 1993).

The jury found that Imagineering's WEATHEREND furniture has an inherently distinctive trade dress. Trade dress "'involves the total image of a product and may include features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques.'" *Two Pesos*, 112 S. Ct. at 2755 n.1 (quoting *John H. Harland Co. v. Clarke Checks*, Inc., 711 F.2d 966, 980 (11th Cir. 1983)). Inherently distinctive trade dress qualifies for protection from infringement. *Two Pesos*, 112 S.Ct. at 2756-57. Trade dress is inherently distinctive when, by its "intrinsic nature," it identifies the particular source of a product. *Id.*

Several witnesses, including Imagineering's chairman and its furniture design witness, testified that the WEATHEREND furniture possesses a coherent "total image," comprising wide slats, scooped seat boards and arms, rounded edges, notched and curved legs, and angled backrests, among other distinctive attributes. The record also showed that upon entry of the WEATHEREND furniture into the market, it received wide media coverage. Design magazines and trade journals published many editorials commenting on the WEATHEREND line. These magazines often used photographs of WEATHEREND furniture in pictorials as well. These accounts hailed the WEATHEREND furniture as "novel," "exclusive," and "outdoor classics." An interior design competition also recognized the WEATHEREND line which was also featured in the Cooper-Hewitt Museum.

Witnesses at trial also testified that Imagineering's WEATHEREND line was unlike any other furniture yet produced. Van Klassens' largest dealer testified at trial that he had "not seen anything like" Imagineering's furniture. Imagineering's design witness testified that WEATHEREND had a "totally different look" that was new to the market.

In sum, the record contained considerable evidence about the inherent distinctiveness of the WEATHEREND line. The record showed that the WEATHEREND furniture's singular appearance identified Imagineering as the furniture's source. Thus the record evidence supports the jury's finding of inherent distinctiveness.

III.

The jury found that Van Klassens infringed Imagineering's trade dress because Van Klassens created a likelihood of confusion between the products. Applying the law of the United States Court of Appeals for the Second Circuit, this court reviews the jury's ultimate finding of likelihood of confusion de novo. *Gruner + Jahr USA Publishing v. Meredith Corp.*, 991 F.2d 1072, 1077, 26 USPQ2d 1583, 1586 (2d Cir. 1993).

The Second Circuit has identified a test of eight non-exclusive factors bearing on likelihood of confusion:

> [1] the strength of [the] mark, [2] the degree of similarity between the two marks, [3] the proximity of the products, [4] the likelihood that the prior owner will bridge the gap, [5] actual confusion, [6] and the reciprocal of defendant's good faith in adopting its own mark, [7] the quality of defendant's product, and [8] the sophistication of the buyers.

Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495, 128 USPQ 411, 413 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961). Though Polaroid was a trademark case, the test for likelihood of confusion applies equally to trade dress cases. *Paddington Corp. v. Attiki Importers & Distribs, Inc.*, 996 F.2d 577, 584, 27 USPQ2d 1189, 1193 (2d Cir. 1993). The jury's resolution of each Polaroid factor is a factual finding, which this court reviews for clear error. *Gruner + Jahr*, 991 F.2d at 1077. "[E]ach factor must be evaluated in the context of how it bears on the ultimate question of likelihood of confusion as to the source of the product." Lois *Sportswear, U.S. A., Inc. v. Levi Strauss & Co.*, 799 F. 2d 867, 872, 230 USPQ 831, 834 (2d Cir. 1986).

On the first factor, the record showed the strength of Imagineering's trade dress. For instance, the trade press often referred to WEATHEREND as distinctive. Moreover Imagineering has bolstered its mark's strength through widespread advertising. The furniture industry recognizes the WEATHEREND image.

On the second factor, the record disclosed the striking similarity between Van Klassens' and Imagineering's products. Beyond the photographs and descriptions in the record, a furniture expert testified at trial that he could not distinguish Van Klassens' furniture from Imagineering's even from only three feet away. The dimensions of Van Klassens' furniture are generally within half an inch of Imagineering's.

On the third factor, Imagineering's and Van Klassens' furniture move in the same channels of trade. For instance, both advertise in the same publications.

On the fourth factor, little or no gap remains to be bridged between the products. Van Klassens' furniture is practically identical in appearance to Imagineering's WEATHEREND line. As noted earlier, even a trained expert could not detect differences.

On the fifth factor, the record shows actual confusion. Imagineering's employees, independent agents, and customers testified about confusing Van Klassens' furniture for Imagineering's. Even Mr. Lukingbeal, Van Klassens' founder, testified that in 1987 he received calls from former WEATHEREND dealers and representatives who thought Van Klassens was also a WEATHEREND dealer. Because dealers and experts are more sophisticated about the origins and sources of products lines than average consumers, their confusion is "highly probative on the question of whether a likelihood of confusion exists." *Berkshire Fashions, Inc. v. Sara Lee Corp.*, 725 F. Supp. 790, 796-97, 14 USPQ2d 1124, 1129 (S.D.N.Y. 1989), *affd*, 904 F.2d 33 (2d Cir. 1990) (table).

On the sixth factor, the record evidence shows that Van Klassens lacked good faith in adopting Imagineering's trade dress. Mr. Lukingbeal admitted he read many publications that had profiled Imagineering. In addition, other principals within the Van Klassens organization knew of Imagineering's furniture designs. Indeed a witness

for Van Klassens admitted that the company had a copy of Imagineering's 1989 catalog when it developed three pieces of furniture. When Van Klassens developed a fourth piece of its furniture, it possessed Imagineering's blueprints for the very same piece in the WEATHEREND line. This evidence showed that Van Klassens developed its practically identical furniture with full knowledge of Imagineering's designs.

Trying to show good faith, Mr. Lukingbeal testified that his inspiration for Van Klassens' furniture was a trip he took to Cawdor Castle in Scotland in 1964. A review of the Castle's records showed during trial, however, that the Castle was closed to the public in 1964. The uncanny resemblance between Van Klassens' furniture and Imagineering's WEATHEREND line, coupled with Van Klassens' admitted knowledge of Imagineering's trade dress, supports an inference of bad faith by Van Klassens. *See Paddington*, 996 F.2d at 587.

On the seventh factor, the record disclosed that Van Klassens' product quality was drastically lower than Imagineering's. Witnesses testified that Van Klassens used "garbage wood" that literally "came apart" during testing. Other witnesses noted that Van Klassens' joinery that was "absolutely terrible." By contrast, a furniture expert testified that Imagineering possessed a high level of quality control, used "excellent parts," and produced a "quality product." Imagineering quite reasonably may have feared, based on the record evidence, that consumers would attribute any perceived inferior quality of Van Klassens' products to Imagineering's, thus damaging Imagineering's reputation and image. See *Payless Shoesource, Inc. v. Reebok Int'l Ltd.*, 998 F.2d 985, 989, 27 USPQ2d 1516, 1519 (Fed. Cir. 1993).

On the eighth and final factor, the record shows that the buyers of Imagineering's and Van Klassens' furniture are sophisticated. While a sophisticated purchaser might more easily discern distinctions between Van Klassens' and Imagineering's furniture, the record in this case shows that even a trained furniture salesman could not distinguish the two products.

Taken together, the eight factors strongly support the jury's finding of trade dress infringement. After review of the record evidence associated with these factors, this court affirms the jury's finding.

IV.

Imagineering received $4 million in punitive damages for its state law unfair competition claim, over four times the $860,000 compensatory damage award. New York common law permits punitive damage awards for the tort of unfair competition. Under New York law, such awards require a showing of conduct amounting to "gross, wanton, or willful fraud or other morally culpable conduct." *Borkowski v. Borkowski*, 355 N.E.2d 287, 287 (N.Y. 1976); *accord Getty Petroleum Corp. v. Island Transp. Corp.*, 878 F.2d 650, 657, 11 USPQ2d 1334, 1340 (2d Cir. 1989). The jury properly awarded punitive damages for Van Klassens' willful conduct. The amount of the award, however, was excessive. This court thus requires a remittitur.

Federal appellate courts may review jury awards of punitive damages based on state law claims. *See Getty Petroleum Corp. v. Island Transp. Corp.*, 862 F.2d 10, 14, 8 USPQ2d 1687, 1690-91 (2d Cir. 1988) (finding punitive damage award "grossly disproportionate" and ordering remittitur on remand in unfair competition case), *cert. denied Getty Petroleum Corp. v. Salen Heat & Petroleum,* 490 U.S. 1006 (1989). The reviewing court must "'keep a verdict for punitive damages within reasonable bounds considering the purpose to be achieved as well as the mala fides of the defendant in the particular case.'" *Lanfranconi v. Tidewater Oil Co.*, 376 F.2d 91, 97 (2d Cir.) (quoting *Faulk v. Aware, Inc.*, 244 N.Y.S.2d 259, 266 (App. Div. 1963), *affd,* 200 N.E.2d 778 (1964), *cert. denied,* 380 U.S. 916 (1965)), *cert. denied,* 389 U.S. 951 (1967). A punitive damage award "must bear a reasonable relationship to plaintiff's injury and defendant's malicious intent. " *Getty*, 862 F.2d at 14. Accordingly, this court must inquire to ensure that the punitive damages do not exceed "that amount reasonably necessary to secure the purposes of such awards, and thus to become in part a windfall to the individual litigant." *Aldrich v. Thomson McKinnon Sec., Inc.*, 756 F.2d 243, 249 (2d Cir. 1985).

The record evidence shows that Van Klassens' total sales were at most only $1.49 million. *Imagineering, Inc. v. Van Klassens, Inc.*, No. 92-CV-751, slip op. at 16 (S.D.N.Y. Mar. 30, 1994). These total sales provide a baseline for assessing Van Klassens' conduct. In light of these sales, the jury awarded Imagineering $860,000 in compensatory damages, to which the trial court added an additional $1,008,815.02 in "enhanced" damages, attorney fees, sanctions, and costs. The total judgment against Van Klassens was $5,868,815.02. The $4 million punitive damage award was nearly 500% of compensatory damages. This amount exceeds a reasonable relationship to Imagineering's injury. Furthermore, while the record supported a finding of bad faith against Van Klassens, the evidence hardly justified a finding of conduct so malicious as to warrant increasing damages more than 400%. Under these circumstances, the punitive damages award confers upon Imagineering a "windfall" recovery. *See Aldrich*, 756 F.2d at 249. This court therefore vacates the jury's punitive damage award and remands for application of a remittitur in an amount set by the United States District Court for the Southern District of New York. *Cf. Getty*, 862 F.2d at 14.

V.

The trial court sanctioned Van Klassens for three alleged procedural improprieties. This court reviews the sanctions for abuse of discretion. *Caisse Nationale de Credit Agricole-CNCA v. Valcorp, Inc.*, 28 F.3d 259, 264 (2d Cir. 1994).

First, the trial court sanctioned Van Klassens and its counsel for failing to withdraw Van Klassens' declaratory judgment counterclaim for design patent invalidity. *Imagineering Inc. v. Van Klassens, Inc.*, No. 92-CV-751, slip op. at 6 (S.D.N.Y. Sept. 8, 1994). Based on the record evidence, the trial court abused its discretion. Imagineering consented to Van Klassens' amendment of its Answer to include the declaratory judgment counterclaim, as the trial court acknowledged. When Imagineering admitted that the '320 patent was invalid, Imagineering dismissed its patent claims and asked Van Klassens to withdraw its counterclaim. Had Van Klassens done so without a stipulation as to invalidity, which Imagineering refused to

provide, Van Klassens would have waived any objections to errors the trial court might have made concerning issues in the counterclaim. *Cf. United States v. Procter & Gamble Co.*, 356 U.S. 677, 680 (1958). Specifically, Van Klassens would have waived objections to the trial court's denial of its motion for attorney fees under 35 U.S.C. § 285. The trial court abused its discretion by sanctioning Van Klassens for its refusal to take an action that would hamper its own defense.

Second, the trial court sanctioned Van Klassens for moving to compel the deposition of Susan Gullotti, the attorney who prosecuted the '320 patent. *Imagineering, Inc. v. Van Klassens, Inc.*, No. 92-CV-751, slip op. at 14 (S.D.N.Y. Sept. 8, 1993). When Van Klassens requested Ms. Gullotti's deposition, she argued *ex parte* to the court on February 8, 1993, that she should not be deposed. Van Klassens received a copy of this communication in May 1993. At that time Van Klassens sought an opportunity to be heard, and the trial court granted Van Klassens permission to brief the question about the need to depose Ms. Gullotti.

Nonetheless, on September 8, 1993, the trial court sanctioned Van Klassens for moving to compel Ms. Gullotti's deposition. As noted, the court had previously granted Van Klassens permission to brief this issue. Making a motion can hardly be construed as inconsistent with briefing concerning the issue. The trial court abused its discretion by sanctioning Van Klassens for accepting the court's invitation to make this argument.

Finally, the trial court sanctioned Van Klassens' counsel under Fed. R. Civ. P. 11 for filing a motion to dismiss for lack of jurisdiction and improper venue. *Imagineering, Inc. v. Van Klassens, Inc.*, No. 92-CV-751, slip op. at 25 (S.D.N.Y. Sept. 8, 1993). Van Klassens based its motion to dismiss on the New York long-arm statute -- N.Y. Civ. Prac. L. & R. 302(a)(1) and (2) (McKinney 1990).* The trial court

---

*Section 302(a)(1) permits New York courts to exercise personal jurisdiction over non-residents who transact business within New York State or contract to supply goods in the state. Section 302(a)(2) permits New York courts to exercise personal jurisdiction over nonresidents who commit a tortious act within New York State.

mistakenly believed that Van Klassens' motion relied solely on section 302(a)(2) and sanctioned Van Klassens for citing cases construing section 302(a)(1) in the motion. Van Klassens in fact partly based its motion on section 302(a)(1). The trial court misconstrued Van Klassens' motion and sanctioned Van Klassens and its counsel. This abuse of discretion also warrants reconsideration.

V.

This court reviews the trial court's denial of Van Klassens' motion for attorney fees under 35 U.S.C. § 285 for an abuse of discretion. *Cambridge Prods., Ltd. v. Penn Nutrients, Inc.*, 962 F.2d 1048, 1050, 22 USPQ2d 1577, 1579 (Fed. Cir. 1992). Discretion "is abused if the record contains no basis on which the district court rationally could have made its decision or if the judicial action is arbitrary, fanciful or clearly unreasonable." *PPG Indus., Inc. v. Celanese Polymer Specialties Co.*, 840 F.2d 1565, 1572, 6 USPQ2d 1010, 1016 (Fed. Cir. 1988).

To prevail, Van Klassens had to show by clear and convincing evidence that Imagineering's conduct was exceptional. *Reactive Metals and Alloys Corp. v. ESM, Inc.*, 769 F.2d 1578, 1582, 226 USPQ 821, 824 (Fed. Cir. 1985). Specifically, Van Klassens had to prove that Imagineering brought the patent infringement action in bad faith. *See id.* "[B]ased upon the affidavits submitted by [Imagineering]," the trial court discerned no sense in which Imagineering acted "either unreasonably or in bad faith" by bringing its patent infringement claim. *Imagineering, Inc. v. Van Klassens, Inc.*, No. 92-CV-751, slip op. at 2 (S.D.N.Y. Oct. 7, 1993) (Endorsement). Based on the standard announced in *PPG Industries*, the trial court did not abuse its discretion by denying Van Klassens fees.

CONCLUSION

This court affirms the jury verdict of trade dress infringement; vacates the punitive damage award and remands for entry of a remittitur; reverses the trial court's imposition of sanctions on Van Klassens and its counsel; affirms the trial court's denial of Van Klassens' motion for attorney fees under 35 U.S.C. § 285; and affirms

in all other respects (after considering Van Klassens' remaining issues on appeal).

COSTS

Each party shall bear its own costs.

AFFIRMED-IN-PART, REVERSED-IN-PART, VACATED-IN-PART, and REMANDED WITH INSTRUCTIONS

United States Court of Appeals for the Federal Circuit

94-1286

IMAGINEERING, INC.,

Plaintiff-Appellee,

v.

VAN KLASSENS, INC.
and
ROBERT LUKINGBEAL,

Defendants-Appellants,

ON MOTION

Before NEWMAN, Circuit Judge, COWEN, Senior Circuit Judge, and MAYER, Circuit Judge.

MAYER, Circuit Judge.

ORDER

Van Klassens, Inc. and Robert Lukingbeal (Van Klassens) move for a stay, pending appeal, of the execution of the judgment and of the April 4, 1994 order of the United States District Court for the Southern District of New York (1) permanently enjoining Van Klassens, Inc. from selling certain furniture that infringes Imagineering, Inc.'s trade dress, (2) ordering Van Klassens to destroy any furniture in its possession that infringes, and (3) providing inquiring customers with Imagineering's name and telephone number. Imagineering opposes. Imagineering also moves to dismiss or transfer to the United States Court of Appeals for the Second Circuit. The court is awaiting Van Klassens' response.

The transfer issue has not been fully briefed and is not ready for decision. However, because of the nature of the injunction, we proceed with deciding the motion for a stay, pending appeal, at this time. If we

ultimately decide to transfer the appeal, our ruling on the motion for a stay will cease to have effect and any further proceedings will be before the Second Circuit.

In deciding whether to grant a stay, pending appeal, this court applies the traditional stay factors. *Standard Havens Products v. Gencor Industries*, 897 F.2d 511, 513 (Fed. Cir. 1990). A stay is appropriate when movant establishes that it has a strong likelihood of success on the merits, or when failing that, it demonstrates a substantial case on the merit provided the other factors militate in its favor. *Hilton v. Branskill*, 481 U.S. 770, 778 (1987).

With regard to that part of the injunction that enjoins Van Klassens from selling the infringing furniture, Van Klassens has failed to demonstrate either a strong or substantial case that it is likely to succeed on the merits. This was a jury trial where the jury returned a special verdict finding, inter alia, Imagineering's trade dress inherently distinctive, a likelihood of confusion as to the source of Van Klassens' goods, and willful conduct. Van Klassens does not argue that the jury's determinations were unsupported; rather, Van Klassens focuses its arguments on Imagineering's failure to prove protectable trade dress common to its line of furniture, as opposed to individual pieces, and its failure to prove that elements of the furniture style were not in the public domain. We are not persuaded by Van Klassens' arguments, which are not focused on the jury verdict. In sum, Van Klassens has not made a sufficient showing of likelihood of success on the merits. Accordingly, we do not grant a stay of that part of the order enjoining Van Klassens from selling the infringing furniture.

Van Klassens also argues that the scope of the injunction is overly board. With regard to those portions that direct Van Klassens to destroy furniture and to direct its inquiring customers to Imagineering, we agree. Neither party discusses these aspects of the injunction in depth. Postponing the destruction of furniture will preserve the status quo either for a merits panel of this court or for the Second Circuit. Particularly if this court transfers this appeal, we do not wish to have irreversible actions taken. Relying on that premise, we also stay execution of the judgment for an interim period. Van Klassens states

that it will be forced to declare bankruptcy should Imagineering attempt to collect the judgment. Imagineering responds that this statement, standing without affidavit, is insufficient. Imagineering also points out that Van Klassens has not stated if a partial bond could be posted and has not offered any other way to secure any portion of the judgment. Accordingly, we stay execution of the judgment for 21 days. Within that period, the parties should confer and attempt to reach an agreement regarding security. Failing that, each party should submit a response setting forth its recommendations for security.

Accordingly,
IT IS ORDERED THAT:

(1) Van Klassens' motion for a stay, pending appeal, of that part of the injunction that enjoins selling of the infringing furniture is denied.

(2) Van Klassens' motion for a stay, pending appeal, of that part of the injunction that directs it to destroy furniture and direct customers to Imagineering is granted.

(3) Execution of the judgment is stayed for 21 days.

FOR THE COURT

H. Robert Mayer
Circuit Judge
Dated: June 3, 1994

United States Court of Appeals for the Federal Circuit

94-1286

IMAGINEERING, INC.,

Plaintiff-Appellee,

v.

VAN KLASSENS, INC.
and
ROBERT LUKINGBEAI,

Defendants-Appellants,

ON MOTION

Before CLEVENGER, Circuit Judge.

ORDER

Van Klassens, Inc. and Robert Lukingbeal (Van Klassens, Inc.) submit a motion for a stay, pending appeal, of the April 4, 1994 order of the United States District Court for the Southern District of New York permanently enjoining Van Klassens, Inc. from selling, advertising, and promoting furniture which "embodies or resembles Imagineering's WEATHEREND Estate Furniture trade dress." The April 4, 1994 order also requires Van Klassens, Inc. to destroy any furniture in its possession "which embodies or resembles Imagineering's WEATHEREND Estate furniture trade dress" and to provide customers inquiring about that furniture "which if otherwise sold would violate this Final Order and Permanent Injunction" with Imagineering's Inc.'s name and telephone number.

Upon consideration thereof,

IT IS ORDERED THAT:

(1) The district court's order is temporarily stayed pending receipt of Imagineering Inc.'s response and consideration by the court of all papers submitted.

(2) Imagineering Inc.'s response is due by May 2, 1994.

Dated: April 26, 1994

/s/Raymond C. Clevenger, III

Circuit Judge

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

92 Civ. 0751 (RLC)

Imagineering, Inc. v. Van Klassens, Inc. and Robert Lukingbeal.,

Defendant's motion pursuant to Rules 50 and 59 of the Fed.R.Civ.P. for judgment as a matter of law and alternative motion for a new trial is denied.

So Ordered.

/s/Robert L. Carter
U.S.D.J.
[4/26/94[1]]

[1]Hand-written memo endorsement.

IMAGINEERING, INC., Plaintiff, v. VAN KLASSENS, INC. and ROBERT LUKINGBEAL, Defendants.

IMAGINEERING, INC. v. VAN KLASSENS, INC.
92 Civ. 0751 (RLC)

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

FINAL ORDER and PERMANENT INJUNCTION

Decided April 4, 1994

This cause having come on to be heard by this court upon the Complaint of Plaintiff, Imagineering, Inc., stating causes of action for design patent infringement, trade dress infringement under § 43(a) of the Lanham Act, false advertising under § 43(a) of the Lanham Act, unfair competition under New York State common law, and dilution under New York State law, wherein Plaintiff requested a permanent and final injunction against Defendants, and Plaintiff having voluntarily amended its Complaint to withdraw its causes of action for design patent infringement and dilution; and

This case having been tried before a jury and the jury having reached a verdict on November 15, 1993 and having found, by a preponderance of the evidence, that Plaintiff's trade dress is inherently distinctive, that there is a likelihood of confusion as to the source of Defendants' goods, that Plaintiff's trade dress is not functional, that Defendants' conduct was willful, that Defendants have engaged in unfair competition, that Defendants have engaged in false advertising, that Defendant Robert Lukingbeal is personally liable, that Plaintiff is entitled to compensatory damages in the amount of Eight Hundred Sixty Thousand Dollars ($860,000), and that Plaintiff is entitled to punitive damages in the amount of Four Million Dollars ($4,000,000); and

This court having issued an opinion dated September 4, 1992, an Opinion dated September 8, 1993, an Endorsement dated September

13, 1993, an Endorsement dated September 29, 1993, an Endorsement dated October 7, 1993, and an Opinion dated March 30, 1994 denying Defendants' laches defense, enhancing the jury award of compensatory damages by Two Hundred Fifty Thousand Dollars ($250,000), awarding Plaintiff attorney's fees in the amount of Forty Four Thousand Four Hundred Twenty One Dollars and Fifty Five Cents ($44,421.55), awarding Plaintiff attorney's fees in the amount of Six Hundred Fifty Nine Thousand Seven Hundred Eighty Nine Dollars and Fifty Cents ($659,789.50), and awarding Plaintiff taxable costs less those costs incurred in the preparation of Imagineering's consumer surveys, which costs have been calculated by Plaintiff to be Fifty Four Thousand Six Hundred Three Dollars and Ninety Seven Cents ($54,603.97);

IT IS HEREBY ORDERED, ADJUDGED AND DECREED, that Defendants, their officers, directors, agents, servants, employees, sales representatives and attorneys and all persons in active concert or participation with them who receive actual notice of this Final Order and Permanent Injunction by personal service or otherwise are hereby permanently and finally enjoined from:

1. Commercializing through sales, offers for sale, or advertising, furniture which embodies or resembles Imagineering's WEATHEREND® Estate Furniture trade dress as best set forth in Exhibit "A" or any other trade dress sufficiently similar thereto so as to be likely to cause confusion, mistake or deception in connection with the source, sponsorship or affiliation of furniture or any related product;

2. Using any word, term, common name, symbol or device, or any combination thereof, or any false designation of origin, or false or misleading description of fact, which in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of Defendants' furniture and Plaintiff's furniture, including representing in commercial advertising or promotion of Van Klassens Furniture that: Van Klassens Furniture is superior to or equal to the quality of WEATHEREND® Estate Furniture; that the chain utilized on the Van Klassens swing will outlast or is superior in any way to the rope utilized by WEATHEREND® Estate Furniture; or that WEATHEREND® Estate Furniture is more expensive than Van

Klassens Furniture because of reasons other than quality and/or advertising of Plaintiff's furniture; and

3. Unfairly competing with Imagineering, Inc. in any manner, including emphasizing in advertisements for Van Klassens Furniture the use of Awlgrip® paint, West System® epoxy, nautical lines, boat building materials, boat building techniques, mortise and tenon joinery; however, such information may be used in Van Klassens's product literature that details the entire furniture construction and methods utilized by Van Klassens, except that any representation as to mortise and tenon joinery shall be accompanied by an identification of the number and location of such joints in each piece of furniture; and

IT IS ALSO ORDERED, ADJUDGED AND DECREED, that Defendants, their officers, directors, agents, sales representatives, servants, employees, and attorneys, shall destroy any furniture in their possession, custody or control which embodies or resembles Imagineering's WEATHEREND® Estate Furniture trade dress as best set forth in Exhibit "All or any other trade dress sufficiently similar thereto so as to be likely to cause confusion, mistake or deception in connection with the source, sponsorship or affiliation of such furniture; and Defendants shall file with this court and serve on the Plaintiff within thirty days after the service on Defendants of this Final Order and Permanent Injunction, or such extended period as this court may otherwise direct, a report in writing under oath setting forth in detail the manner and form in which Defendants have complied with this Final Order and Permanent Injunction; and

Defendants shall provide any customers inquiring about furniture, which if otherwise sold would violate this Final Order and Permanent Injunction, with Plaintiff's name and telephone number of 1-800-456-6483 and inform such customers that they should contact Plaintiff with regard to this furniture; and

Any violation of this order will be punishable by contempt which will include but not be limited to a fine in the amount of Five Hundred Dollars ($500) per day, and such other relief that this court may deem just and proper; and

IT IS ALSO ORDERED, ADJUDGED AND DECREED, that the compensatory damages awarded by the jury against Defendants in the amount of Eight Hundred Sixty Thousand Dollars ($860,000) is hereby enhanced Two Hundred Fifty Thousand Dollars ($250,000), making the total compensatory damages awarded against Defendants One Million One Hundred Ten Thousand Dollars ($1,110,000);

IT IS ALSO ORDERED, ADJUDGED AND DECREED, that the punitive damages awarded by the jury against Defendants in the amount of Four Million Dollars ($4,000,000) remain unchanged;

IT IS ALSO ORDERED, ADJUDGED AND DECREED, that Plaintiff is awarded the sum of Forty Four Thousand Four Hundred and Twenty One Dollars and Fifty Five Cents ($44,421.55), pursuant to sanctions imposed on Defendants in an opinion issued September 8, 1993, which shall be paid by Defendants and/or their attorneys, Pitts and Brittian, P.C., and Robinson, Brog, Leinwand, Reich, Genovese & Gluck, P.C., jointly and severally;

IT IS ALSO ORDERED, ADJUDGED AND DECREED, that Plaintiff is awarded the sum of Six Hundred Fifty Nine Thousand Seven Hundred Eighty Nine Dollars and Fifty Cents ($659,789.50), representing an award of attorney's fees pursuant to 15 U.S.C. § 1117, which shall be paid by Defendants, jointly and severally; and

IT IS ALSO ORDERED, ADJUDGED AND DECREED, that Plaintiff is awarded the sum of Fifty Four Thousand Six Hundred Three Dollars and Ninety Seven Cents ($54,603.97), representing an award of taxable costs pursuant to 15 U.S.C. § 1117, which shall be paid by Defendants, jointly and severally.

IT IS SO ORDERED.

Dated: New York, New York April 4, 1994

Robert L. Carter

U.S.D.J.

IMAGINEERING, INC., Plaintiff, v. VAN KLASSENS, INC. and ROBERT LUKINGBEAL, Defendants.

IMAGINEERING, INC. v. VAN KLASSENS, INC.
92 Civ. 0751 (RLC)

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

851 F. Supp. 532; 31 U.S.P.Q.2D (BNA) 1119

March 30, 1994, Decided
March 30, 1994, Filed

COUNSEL: For Plaintiff: HESLIN & ROTHENBERG, P.C., Albany, New York, SUSAN F. GULLOTTI, NICHOLAS MESITI, Of Counsel.

For Defendants: ROBINSON BROG LEINWAND REICH GENOVESE & GLUCK, P.C., New York, New York, DAVID C. BURGER, Of Counsel. PITTS & BRITTIAN, Knoxville, TN, ROBERT E. PITTS, RAYMOND E. STEPHENS, Of Counsel.

ROBERT L. CARTER, District Judge

The background of this trade dress infringement case involving rival manufacturers of garden furniture, Imagineering, Inc. ("Imagineering") and Van Klassens, Inc. ("Van Klassens"), is set forth in an opinion issued September 4, 1992, with which familiarity is assumed. Van Klassens and its president, Robert Lukingbeal, are the defendants in this action. On October 28, 1993, a jury trial commenced to hear plaintiff's federal law claims of trade dress infringement and false advertising, and state law claims of unfair competition and violation of the New York State Anti-Dilution statute.

The jury returned a verdict favorable to plaintiff on its federal law claims and state law claim for unfair competition, and awarded plaintiff $860,000 in compensatory damages and $4,000,000 in punitive

damages. Prior to the close of trial, the parties had agreed to submit plaintiff's anti-dilution claim and defendants' laches claim to the court. Following the jury's verdict, plaintiff voluntarily withdrew its anti-dilution claim.

This action is presently before the court for consideration of: (1) whether laches bars all of plaintiff's claims, and 2) whether plaintiff is entitled to attorney's fees, costs, enhanced damages and injunctive relief.

I.

A.

A laches defense, which may be raised as a bar to a claim for both injunctive relief and money damages, *Carl Zeiss Stiftung v. VEB Carl Zeiss, Jena*, 433 F.2d 686, 703 (2d Cir. 1970), *cert. denied*, 403 U.S. 905, 29 L. Ed. 2d 680, 91 S. Ct. 2205 (1971), requires defendants to show that 1) plaintiff had knowledge of defendants' use of its trade dress; 2) plaintiff inexcusably delayed in taking action with respect thereto; and 3) defendants will be prejudiced by permitting plaintiff inequitably to assert its rights at this time. *See e.g., Cuban Cigar Brands N.V. v. Upmann Int'l, Inc.*, 457 F. Supp. 1090, 1096-1100 (S.D.N.Y. 1978) (Weinfeld, J.), *aff'd*, 607 F.2d 995 (2d Cir. 1979). Further, the particular circumstances of the case must be considered, and the interests and equities of the parties balanced. *Saratoga Vichy Spring Co. v. Lehman*, 625 F.2d 1037, 1040 (2d Cir. 1980); Carl Zeiss Stiftung, 433 F.2d at 703. Moreover, because laches is an equitable remedy, defendants must also prove that they acted in good faith in that they did not intend to deceive or confuse the public as to the source of their furniture. *See, e.g., Cuban Cigar*, 457 F. Supp. at 1098-99; *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1344 (2d Cir. 1975).

Inexcusable Delay

Defendants seek to show that plaintiff "inexcusably delayed" initiating this action. They contend that Imagineering, which first became aware of Van Klassens's infringing activities in 1987, could not wait until 1991 to pursue its infringement claim.

In June, 1987, Imagineering's founder, William Fisher, saw a Van Klassens' advertisement featuring furniture which Fisher believed

infringed his company's trade dress. Imagineering subsequently put Van Klassens on notice of the potential illegality of its activities in a letter sent in July of that year.[1]

Having received no response to this letter and knowing that Van Klassens had shipped its first piece of furniture in August, Imagineering sent a second letter in November, 1987, requesting that the company "cease and desist" the production of its infringing furniture. Van Klassens responded that same month telling plaintiff that it intended to continue to manufacture its furniture ("Van Klassens's 1987 Letter"). Plaintiff did not respond to this letter because, as Victoria Howe, Imagineering's president, testified, she did not see any further advertisements for the furniture immediately thereafter, and so concluded that Van Klassens had ceased production of its infringing pieces.

It was not until February, 1989, that plaintiff saw a Van Klassens advertisement, which, according to Howe, again featured infringing pieces of furniture. However, at this time, a law suit was not feasible because of the turmoil within Imagineering ongoing since June, 1987, when Fisher died suddenly, leaving control of the company uncertain. Fisher had left a majority of the stock in the company to Howe, but had also set up a management trust for the employees of the company, and left additional stock both to a good friend and to one of his chief co-workers. All of the stock remained in escrow from the time of his death until March, 1990, at which time Fisher's attorneys settled his estate and Howe took over the company.

Then, in August, 1991, plaintiff learned that additional pieces of infringing furniture had been introduced by Van Klassens shortly after it mistakenly received a bid package containing blueprints for Imagineering pieces to be built for a municipal project in Orange County, California. As Howe testified, this was the "final straw" because the blueprints were for plaintiff's "signature pieces," its half circle and quarter circle settee. (Trial Tr. at 218.)

---

[1]Plaintiff's letter stated that it was "most concerned" that the sale of Van Klassens' furniture "may create confusion in the customer's mind as to the connection, source and affiliation" of this furniture with Imagineering's furniture. (Trial Tr. at 203.)

Imagineering's ownership having been settled by this time, and it being apparent that Van Klassens's infringing activities were not abating, Plaintiff sent two cease and desist letters to Van Klassens in October, 1991. Van Klassens responded in November by filing suit in Tennessee, which action plaintiff removed to this court in January, 1992.

Ultimately, Imagineering put Van Klassens on notice of the potential consequences of its actions, and then proceeded with the requisite diligence and prudence. The court, therefore, cannot find that Imagineering inexcusably delayed filing this action.

Prejudice

Defendants claim that they have been "prejudiced" because, since plaintiff's failure to respond to Van Klassens's 1987 Letter, they have continued to manufacture and advertise Van Klassens furniture, develop goodwill in the "Van Klassens" name, expand the product line, and hire additional employees. Further, they claim prejudice to the degree that Ms. Howe's deteriorating health prevented them from deposing her earlier during discovery, and the Lukingbeals' memories had faded by the time this matter came to trial. Defendants also allege other, but unspecified, instances of such "evidentiary prejudice." Defendants' Post-Trial Memorandum of Law in Support of Defendants' Defense of Laches and in Opposition to Plaintiff's Claim for Dilution at 5.

To show prejudice, however, defendants must show more than "the simple fact that the business continued during the period of delay." *Cuban Cigar*, 457 F. Supp. at 1098; *Am. Express Co. v. Am. Express Limousine Service, Ltd*, 772 F. Supp. 729, 737-38 (E.D.N.Y. 1991). Moreover, the nature of the prejudice allegedly suffered by defendants cannot be measured without due regard to their own willful conduct, see *Stone v. Williams*, 891 F.2d 401, 404 (2d Cir. 1989), *cert. denied*, 496 U.S. 937, 110 L. Ed. 2d 662, 110 S. Ct. 3215 (1990), *rev'd on other grounds*, 970 F.2d 1043 (2d Cir. 1992), specifically as it concerns defendants' continued exploitation of Imagineering's trade dress. See *Weight Watchers Int'l, Inc. v. Stouffer Corp.*, 744 F. Supp. 1259, 1287 (S.D.N.Y. 1990) (Mukasey, J.).

Particularly considering that Van Klassens's 1987 Letter followed two unequivocal letters from Imagineering, defendants cannot credibly maintain that the silence following Van Klassens's 1987 Letter constituted acquiescence by Imagineering or justified defendants' claimed reliance.[2] Rather, defendants seemingly took advantage of this silence in order to continue and increase their infringing activities.

Further, although defendants may have been prejudiced to some extent as a result of fading memories, stale evidence or similar problems, see *Stone v. Williams*, 873 F.2d 620, 623 (2d Cir.), *cert. denied*, 493 U.S. 959, 107 L. Ed. 2d 362, 110 S. Ct. 377, *vacated on other grounds*, 891 F.2d 401 (2d Cir. 1989), such prejudice, to the extent that it does exist, is insubstantial. In particular, defendants' claim that the ability to depose Ms. Howe earlier would have yielded tangible benefits is purely speculative, and, in any event, defendants were not restricted in the amount of time available to them for Howe's deposition, even if it came later than they wished. Moreover, having heard the testimony of the Lukingbeals at trial, which included specific recollections of certain trips to Europe prior to 1987, the court cannot conclude that the possibility of these two witness' loss of memory justifies a bar against Imagineering's claims.

Good Faith

Finally, defendants did not act in good faith. After a three-week trial, the jury concluded that they had willfully infringed Imagineering's trade dress. This finding of bad faith alone is sufficient to defeat defendants' laches claim. *See, e.g., Harlequin Enters. Ltd. v. Gulf & Western Corp.*, 644 F.2d 946, 950 (2d Cir. 1981); *Nikon, Inc. v. Ikon Corp.*, 803 F. Supp. 910, 924-25 (S.D.N.Y. 1992) (Gershon, J.), *aff'd*, 987 F.2d 91 (2d Cir. 1993); *West Indian Sea Island Cotton Ass'n v. Threadtex, Inc.*, 761 F. Supp. 1041, 1051 (S.D.N.Y. 1991) (Ward, J.);

---

[2]Moreover, the mere existence of Imagineering's letters damages defendants' claim. See *Saratoga Vichy Spring Co.*, 625 F.2d at 1041 (upholding laches defense but indicating that "simple warning letter" would have sufficed to defeat it); *Lambda Elecs. Corp. v. Lambda Technology, Inc.*, 515 F. Supp. 915, 930 (S.D.N.Y. 1981) (Ward, J.) (letters sent by plaintiff to defendant constituted a sufficient 'taking of action' to avert the laches defense).

Cullman Ventures, Inc. v. Columbian Art Works, Inc., 717 F. Supp. 96, 135 (S.D.N.Y. 1989) (Conboy, J.); *Cuban Cigar*, 457 F. Supp. at 1099-1101; accord *McDonald's Corp. v. Druck & Gerner, DDS., P.C.*, 814 F. Supp. 1127, 1138-39 (N.D.N.Y. 1993).

B.

Defendants also argue that a presumption of laches arises after three years, which would shift the burden onto plaintiff to prove that defendants were not prejudiced by Imagineering's "failure" to bring this action between 1987 and 1991. See *Constr. Technology, Inc. v. Lockformer Co.*, 704 F. Supp. 1212 (S.D.N.Y. 1989) (Mukasey, J.). But see *Frito Lay, Inc. v. Bachman Co.*, No. 83 Civ. 4484, 1987 U.S. Dist. LEXIS 3962, at *7 (S.D.N.Y. May 19, 1987) (Cedarbaum, J.) (agreement by parties establishing six-year period adopted by court). The presumption is grounded in the notion that a claim becomes stale if the acts alleged fall outside of the applicable statute of limitations. *Constr. Technology*, 704 F. Supp. at 1219.

In *Construction Technology*, the court found that, for a false advertising claim brought pursuant to the Lanham Act, a presumption arose after three years. *Id.* at 1221. Judge Mukasey analogized the false advertising claim, which lacked a federal statute of limitations, to a destruction of property claim under CPLR § 214(4), which section carried a three-year statute of limitations. *Id.* at 1219-21. He rejected the analogy to fraud claims (agreed to by both parties) and its six-year limitations period because false advertising, unlike fraud, had no scienter or bad faith requirement. Id. at 1219-20. It was the existence of such a requirement, Judge Mukasey reasoned, that justified the longer time period. *Id.* at 1221.

Unlike *Construction Technology*, in which bad faith was not at issue, the jury found that defendants acted in bad faith. Therefore, assuming that a presumption of laches necessarily arises, six years would be a more appropriate period of time than three years.[3] However,

---

[3]Although other circuits have indicated that a presumption of laches tied to the analogous state statute of limitations period does arise, *see, e.g., Tandy Corp. v. Malone & Hyde, Inc.*, 769 F.2d 362, 365-66 (6th Cir. 1985), *cert. denied*, 476 U.S. 1158, 90

(continued...)

even if prejudice to defendants were to be presumed, defendants' bad faith and continuing infringement coupled with Imagineering's 1987 letters and its management troubles form a sufficient basis upon which to reject the laches defense in any event. *Cf. Clamp Mfg. Co. v. Enco Mfg. Co.*, 870 F.2d 512, 515 (9th Cir.), *cert. denied*, 493 U.S. 872, 107 L. Ed. 2d 155, 110 S. Ct. 202 (1989) (upholding rejection of defense even if district court failed to presume harm to defendant because other factors weighed against laches defense).

II.

A.

An opinion of the court, dated September 8, 1993, awarded Imagineering attorneys' fees for filing a motion for sanctions against defendants and defending against a motion to compel the deposition of one of its attorneys, Susan Gullotti. In accordance with the September 8 opinion, plaintiff filed a request for $ 44,793.55. The request is adequately documented, and counsel's fee structure reasonable.[4] Therefore, Imagineering's request, less the amount billed for one particular entry detailed below, is hereby granted.

---

[3](...continued)
L. Ed. 2d 719, 106 S. Ct. 2277 (1986) (laches defense rejected because action brought within limitations period), the court is not convinced that this Circuit has recognized such a presumption. *Cf. Stone v. Williams*, 873 F.2d 620, 624 (2d Cir.), *cert. denied*, 493 U.S. 959, 107 L. Ed. 2d 362, 110 S. Ct. 377, vacated on other grounds, 891 F.2d 401 (2d Cir. 1989) (claim under Copyright Act of 1909 and 1976). Although it did not indicate whether a presumption argument had been made, the circuit court held in *Stone*, which was decided shortly after *Construction Technology*, that "it is the reasonableness of the delay rather than the number of years that elapse which is the focus of the [laches] inquiry," and rejected the "mechanical application" of a statute of limitations period. *Id.* Whether the circuit court would apply the Stone reasoning in response to a presumption argument arising out of a Lanham Act claim is uncertain, yet the possibility should not be ignored.

[4]Defendants did not challenge the reasonableness of plaintiff's attorneys' various hourly rates in connection with the court's September 8 opinion, nor have they challenged these rates currently. The court has no reason otherwise to doubt their reasonableness. See *Cooperstown Bat Company, Inc. v. James Florczak*, No. 92 Civ. 0510 (N.D.N.Y. February 26, 1993) (finding fee structure of Heslin & Rothenberg, i.e., plaintiff's attorneys, reasonable).

One entry apparently contains a junior associate's time both for 1) finalizing plaintiff's response to defendants' motion to compel Gullotti's deposition and 2) preparing documents for production. Defendants correctly maintain that they were not required to pay for fees arising out of document production. Therefore, half of the time recorded for this entry will be allotted to time spent on document production, and the value of such time ($ 372.00) will be subtracted from Imagineering's fee request.[5]

B.

Currently, Imagineering seeks an award of attorney's fees for this action as a whole, in the amount of $ 674,442.50.[6] The court may award reasonable attorney's fees to the prevailing party in a trade dress infringement action if it deems the case "exceptional." 15 U.S.C. § 1117 (West Supp. 1993) ("§ 1117"). For a trademark infringement action to be deemed "exceptional," the trier of fact need find only that a defendant's infringing activity was willful. E.g., *Goodheart Clothing Co. v. Laura Goodman Enters.*, Inc., 962 F.2d 268, 272 (2d Cir. 1992); *Getty Petroleum Corp. v. Bartco Petroleum Corp.*, 858 F.2d 103, 113-14 (2d Cir. 1988), *cert. denied*, 490 U.S. 1006, 104 L. Ed. 2d 158, 109 S. Ct. 1642 (1989); *Centaur Communications, Ltd. v. A/S/M Communications, Inc.*, 830 F.2d 1217, 1229 (2d Cir. 1987); *Springs Mills, Inc. v. Ultracashmere House, Ltd.*, 724 F.2d 352, 356-57 (2d Cir. 1983); *Quaker State Oil Ref. Corp. v. Kooltone, Inc.*, 649 F.2d 94, 95 (2d Cir. 1981) (per curiam).[7]

---

[5]Defendants argue that the fee request should be further reduced because 1) the sanctions against them did not cover their motion to transfer venue, and 2) they should not be sanctioned for moving to compel Gullotti's deposition. Defendants are simply incorrect that the sanctions did not cover the motion to transfer venue, and have otherwise failed to persuade the court that a reconsideration of its decision on sanctions is warranted.

[6]Plaintiff has excluded from its request all fees relating exclusively to its withdrawn patent infringement claim and the fees awarded plaintiff in the court's September 8 opinion.

[7]Moreover, a district court abuses its discretion if it fails to consider an award of fees

(continued...)

Clearly, Imagineering is the prevailing party for purposes of § 1117. Further, consistent with the jury's finding on the willfulness of defendants' infringement, the court deems this case "exceptional" under § 1117.[8] Subject to the exclusions discussed below, plaintiff's request for attorney's fees is granted.[9]

---

[7](...continued)
where a defendant's bad faith has been established. See *Goodheart Clothing Co. v. Laura Goodman Enters., Inc.*, 962 F.2d 268, 272 (2d Cir. 1992); *Springs Mills, Inc. v. Ultracashmere House, Ltd.*, 724 F.2d 352, 357 (2d Cir. 1983).

[8]Defendants argue that the case cannot be deemed exceptional on this basis because the special verdict form asked only whether the jury found that defendants' "conduct" was willful, and not their "infringing behavior." In addition to making little sense as a matter of interpretation, this argument ignores the court's instructions to the jury that to award monetary damages to plaintiff -- which the jury awarded for both compensatory and punitive damages -- it must have found, specifically, that defendants' "infringing behavior" was willful. (Trial Tr. at 1957-58.)

Equally frivolous is defendants' argument that this case cannot be "exceptional" because they could not have anticipated their own liability, given that no federal court has ever held a defendant liable for trade dress infringement of an entire line of furniture. First, a defendant has been found liable for infringing a trade dress across an entire line of books. See Harlequin Enters. Ltd. v. Gulf & Western Corp., 644 F.2d 946, 949-50 (2d Cir. 1981). More importantly, the relevant inquiry in considering an award of attorney's fees focuses upon the underlying bad faith of the losing party and/or that party's handling of the litigation, and not, as defendants seem to claim, on whether liability could have been anticipated. Defendants had ample opportunity to present whatever theories they had to the jury, and cannot now be heard to re-argue the question of liability disguised as an attempt to avoid an award of fees.

[9]Plaintiff points to various examples of defendants' litigation conduct to support its request for fees. However, given defendants' willfully infringing behavior, the court need not consider whether to award plaintiff fees on this basis.

With respect to the fee itemization itself,[10] defendants first object to $56,470.00 in fees for work done prior to February 16, 1993, during which time, according to defendants, Imagineering's "primary cause of action" was its subsequently withdrawn patent infringement claim (the "Patent Claim"). Defendants' Memorandum of Law in Opposition to Plaintiff's Request for Attorney's Fees and Treble Damages at 20. Although defendants do not adequately explain what constitutes a "primary cause of action" or why such a designation has legal significance, Imagineering has already indicated that all time relating exclusively to the Patent Claim has been deleted from the fee itemization. To the degree that the entries now challenged relate both to the Patent Claim and to plaintiff's other claims, the court finds that such work is sufficiently intertwined with Imagineering's prevailing claims to support a fee award for such work. *Accord Post Office v. Portec, Inc.*, 913 F.2d 802, 812-13 (10th Cir. 1990), *vacated on other grounds*, 935 F.2d 1105 (1991). Second, defendants object to the inclusion of fees for the preparation of two consumer surveys, one of which was excluded by the court and the other of which plaintiff decided not to introduce at trial. These two discrete pieces of evidence did not come before the jury, and, as such, could not have supported the jury's verdict. Therefore, Imagineering is not entitled to an award of fees for time spent on the two surveys, and its fee award will be reduced by $ 13,428.[11]

---

[10]As an initial matter, defendants argue that Imagineering's submission of edited time summaries rather than unedited time slips has prevented them from adequately examining the fee itemization. However, beyond this assertion, defendants have provided no reason to doubt the accuracy of the summaries themselves. Entries provide the date of the work, the attorney's name, a brief description of the work, the time spent doing the work, and the cost of such work (i.e., the time spent multiplied by the hourly rate for that particular attorney). No information relevant to any challenge defendants might make, therefore, is missing from the time summaries submitted by Imagineering. See *Gucci Am., Inc. v. Rebecca Gold Enters., Inc.*, 802 F. Supp. 1048, 1051-52 (S.D.N.Y. 1992) (Newman, J.).

[11]This figure was determined by first totalling those entries identified by defendants as related solely to the preparation of the surveys, and then adding to this sum 20% of the

(continued...)

Third, defendants object to the inclusion of fees for responding to defendants' own request for attorney's fees arising out of the Patent Claim.[12] Because it did not prevail on the Patent Claim and defendants' request was not found to be frivolous, Imagineering is not entitled to attorney's fees so incurred. The fee award will consequently be reduced by $ 1,225.[13]

III.

Imagineering also seeks its costs pursuant to § 1117. An award of costs is "one of the routine elements" of a prevailing plaintiff's recovery, and is not limited to "exceptional" cases. *Bowmar Instrument Corp. v. Continental Microsystems, Inc.*, 497 F. Supp. 947, 961 (S.D.N.Y. 1980) (Tenney, J.); see *Invicta Plastics (USA), Ltd. v. Mego Corp.*, 523 F. Supp. 619, 625 (S.D.N.Y. 1981) (Motley, J.). The court believes an award of "taxable costs" to be appropriate here, less those costs incurred in the preparation of Imagineering's consumer surveys for

---

[11](...continued)
total of all other entries identified by defendants which related in part to the preparation of the surveys. Finally, the entry for 4/26/93, as it appears in Exhibit R to Defendants' Memorandum of Law in Opposition to Plaintiff's Request for Attorney's Fees and Treble Damages ("Defendants' Memorandum"), has been deleted from this calculation because it does not relate to plaintiff's survey work.

[12]Defendants appear to be under the mistaken impression that the question of their entitlement to fees arising out of the Patent Claim remains unanswered. Although the answer seemed clear enough in the court's October 8, 1993 endorsement, so as to put any doubts to rest, defendants are not entitled to an award of their fees.

[13]This figure was determined using the same method described above relating to fees for the preparation of plaintiff's surveys. In addition, the entry for 5/27/93, as it appears in Exhibit S to Defendants' Memorandum, has been deleted from this calculation because it does not relate to the request for attorney's fees.

which attorney's fees were denied as well.[14] See 28 U.S.C.A. § 1920 (West 1966).

Imagineering seeks an increase in the amount of compensatory damages awarded by the jury. A court "may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount," 15 U.S.C. § 1117 (West Supp. 1993), except that such sum "shall constitute compensation and not a penalty." Id.; *Getty Petroleum Corp.*, 858 F.2d at 113.

Plaintiff contends that defendants' sales of infringing furniture were underreported at trial, primarily because sales invoices submitted into evidence excluded "contract" sales,[15] and because the invoices themselves contained various gaps, both in terms of invoice number and dates of sale. For example, plaintiff established that there were no invoices for the five month period from September, 1988 to March, 1989, (Trial Tr. at 1657-58), and that even though Mr. Lukingbeal testified at his deposition that 1992 sales totalled 642 pieces of furniture, sales invoices reflected only 526 pieces. (Trial Tr. at 1658.)

---

[14]Defendants argue that plaintiff failed to comply with the requirements of Local Rule 11(a) by filing its motion for costs prematurely and by failing to submit its affidavit and attach supporting documentation in compliance with the Rule. Although defendants are correct that plaintiff did not literally comply with the Rule, the court retains broad discretion in interpreting the requirements of a local rule. *Barrett v. U.S., Nos.* 76 Civ. 381 & 76 Civ. 1061, 1991 U.S. Dist. LEXIS 10002, at *3 (S.D.N.Y. July 23, 1991) (Motley, J.); see *In re "Agent Orange" Prod. Liab. Litig.*, 100 F.R.D. 778, 780 (E.D.N.Y. 1984); New York v. Muka, 440 F. Supp. 33, 36 (N.D.N.Y. 1977).

It would not make sense to have plaintiff move for attorney's fees and enhanced damages now, and then file a separate motion for costs at some later date. *Cf. U.S. v. Yonkers Bd. of Educ.*, 118 F.R.D. 326, 327 (S.D.N.Y. 1987) (Sand, J.) (permitting award of interim fees where facts and circumstances of particular matter so warrant). Further, the affidavit submitted by plaintiff constitutes adequate proof of the costs incurred and their necessity. It provides defendants with sufficient detail upon which to base any challenge to any particular cost item -- something which defendants have chosen not to do. See *Barrett*, 1991 U.S. Dist. LEXIS 10002, at *3; *Invicta Plastics* (USA), Ltd., 523 F. Supp. at 625.

[15]According to plaintiff, "contract" sales were sales involving major installations of pieces of Van Klassens's furniture. Defendants do not dispute this definition.

Defendants claim that, despite any discrepancies, contract sales figures were introduced through sales summaries and financial statements, and that any gaps in the sales invoices arose either as a result of "voided" invoices or from periods of time during which no sales were made.

However, through August 18, 1993, the sales summaries show total sales (excluding sales of non-infringing pieces) of $1,231,308, (Trial Tr. at 1682), whereas the sales invoices -- through only June 25, 1993 -- show total sales of $ 1,487,437. (Trial Tr. at 1683). Defendants have not adequately explained this discrepancy, particularly given their contention that the summaries contain the contract sales and the sales reflected through the sales invoices, or the gaps in the dates and numbers of the sales invoices. This raises the concern in the court's mind that either Van Klassens's sales were not fully reflected at trial, or, if they were, were reflected in such a way that the jury could not fully understand and accurately consider them.[16] Therefore, Imagineering is entitled to enhanced damages.[17]

---

[16]Plaintiff also claims that the jury award did not adequately compensate it because 1) defendants received benefits from the goodwill and reputation enjoyed by plaintiff resulting from the over $ 2 million spent on advertising and product development and 2) sales were lost to consumers who refused to buy Imagineering furniture, believing that it had been manufactured by defendants. However, plaintiff does not show why the jury did not already have the opportunity to consider these claims in its initial deliberations, and, in any event, to enhance a damages award on this basis would be too speculative.

[17]In addition to objecting to an increase in plaintiff's damages award, defendants argue that the court should decrease the amount of the award. They claim that the award was excessive if based upon: 1) defendants' profits, because there were none; 2) plaintiff's lost profits, because plaintiff stipulated that it was not seeking lost profits; or 3) a reasonable royalty, because it would exceed the 30% royalty that plaintiff asserted would be reasonable.

The jury has already had the opportunity to consider the facts supporting these claims at trial, and defendants have not provided the court with sufficient reason to question the jury's findings. The jury was instructed that a damages award could be based upon plaintiff's lost sales and loss of goodwill. On this basis alone, the jury's verdict is amply supported by the weight of the evidence.

It is perhaps also worth noting that, as a matter of statutory interpretation, a

(continued...)

V.

Within the parameters established by Rule 65(d), Fed. R. Civ. P.,[18] a court retains a "wide range of discretion" in fashioning an equitable remedy, see *Springs Mills, Inc.*, 724 F.2d at 355, and should approach the framing of an injunction flexibly. *Soltex Polymer Coro. v. Fortex Indus., Inc.*, 832 F.2d 1325, 1329 (2d Cir. 1987). Any doubts in respect of the reach of appropriate injunctive relief should be resolved in favor of an innocent plaintiff and against a willful infringer. *See Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 130, 91 L. Ed. 1386, 67 S. Ct. 1136 (1947); *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 532, 68 L. Ed. 1161, 44 S. Ct. 615 (1924). Further, once a defendant has been found liable for infringement, a court may proscribe activities that it could not have proscribed prior to the finding of liability. *See Chevron Chem. Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 705 (5th Cir. 1981), *cert. denied*, 457 U.S. 1126, 73 L. Ed. 2d 1342, 102 S. Ct. 2947 (1982); *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F.2d 368, 390 (5th Cir. 1977); *see also U.S. v. Loew's Inc.*, 371 U.S. 38, 53, 9 L. Ed. 2d 11, 83 S. Ct. 97 (1962) ("otherwise permissible practices connected with the acts found to be illegal must sometimes be enjoined"); *Broderick & Bascom Rope Co. v. Manoff*, 41 F.2d 353, 354 (6th Cir. 1930) (injunction appropriate even if it "involves a handicap as compared with those who have not [been convicted of unfair competition]").

Defendants claim that an injunction cannot issue that would be sufficiently specific to satisfy Rule 65(d) because Imagineering failed,

---

[17](...continued)
court may have the discretion to reduce a damages award only to the extent that it is based upon a defendant's profits, and not upon a plaintiff's lost profits or a reasonable royalty. However, the court does not rely upon this reading of § 1117 in rejecting defendants' arguments.

[18]Rule 65(d) reads, in relevant part:

Every order granting an injunction and every restraining order shall set forth the reasons for its issuance; shall be specific in its terms; shall describe in reasonable detail, and not by reference to the complaint or other document, the act or acts sought to be restrained.

Rule 65(d), Fed. R. Civ. P.

at trial, to define its trade dress adequately. However, plaintiff submitted evidence of infringement covering over 20 pieces of its furniture, including both photographs and actual examples of the furniture itself, and submitted a written description of its trade dress as well. The jury found that Imagineering had a protectable trade dress extending across its entire line of furniture, and that Van Klassens had willfully infringed it. For defendants, then, still to claim that there is "no proof or findings as to what common features make up plaintiff's alleged trade dress" such that it is "impossible" to frame an enforceable injunction strains credibility.[19] n19 Defendants' Post-Trial Memorandum of Law Concerning the Form of Any Permanent Injunction and Counter-Form of Proposed Injunction at 4-5.

Defendants also object to the use of pictures to describe plaintiff's trade dress, but this is an appropriate response to the difficulties inherent in relying upon mere words and phrases to describe the "total image of a product, which image may include features such as size, shape, color or color combinations, texture or graphics." *Le Sportsac, Inc. v. K Mart Corp.*, 754 F.2d 71, 75 (2d Cir. 1985) (definition of trade dress). To require that Imagineering describe its trade dress only in prose would run the risk, first, that the description might not adequately describe this "image," and, second, that defendants' would be provided numerous opportunities to seek to evade the injunction's proscription by, for example, changing one aspect of a multi-faceted

---

[19]Further, defendants claim that an injunction cannot apply to the future production of all of defendants' "allegedly" infringing furniture because the jury verdict could mean that only one piece of plaintiff's furniture was inherently distinctive and was infringed. Throughout the trial, however, plaintiff maintained that it had a protectable trade dress in its entire line of furniture, and there is no basis to conclude that the jury rested its verdict upon the infringement of only a single piece or limited pieces of plaintiff's furniture. Such a verdict would be inconsistent with both the nature of the damages award and plaintiff's claim.

Equally unsuccessful is defendants' argument that an injunction should not issue that would prevent Van Klassens from manufacturing furniture from designs already in the public domain. This seems a transparent attempt to re-argue the question of the functionality of plaintiff's trade dress, an argument that the jury has already considered and rejected.

"image" and claiming that the trade dress, as defined, was not being infringed.

Further, defendants' argument to the contrary notwithstanding, the court has the authority to permanently enjoin the infringement of pieces of furniture not at issue in this action. Where, as here, liability has been determined adversely to the infringer, there has been a history of continuing infringement and a significant threat of infringement remains, it is appropriate to permanently enjoin the future infringement of pieces of furniture not currently in controversy. *Orth-O-Vision, Inc. v. Home Box Office*, 474 F. Supp. 672, 685-86 (S.D.N.Y. 1979) (Gagliardi, J.) (copyright infringement); see also *Walt Disney Co. v. Powell*, 283 U.S. App. D.C. 111, 897 F.2d 565, 568 (D.C. Cir. 1990) (copyright infringement); *Encyclopaedia Britannica Educ. Corp. v. Crooks*, 542 F. Supp. 1156, 1187-88 (W.D.N.Y. 1982) (copyright infringement). Therefore, an injunction issuing in this case may properly enjoin all future infringing activities of Van Klassens, including pieces of furniture bearing Imagineering's trade dress that were not made the subject of this law suit.

Defendants continue that they cannot be enjoined from undertaking specific activities if the jury failed to determine the impropriety of these activities explicitly.[20] However, having been found liable for infringement, defendants may have their future activities limited in ways that prior to the trial might not have been permissible. See. e.g., *Chevron Chemical Co.*, 659 F.2d at 705. Inclusion of specific prohibitions in the injunction would provide some clear indication of what Van Klassens may not do by way of advertising its products and competing with Imagineering.

It is also appropriate that the infringing furniture currently within the possession of defendants be destroyed, which discretion to so order rests with the trial court. *See, e.g., West & Co. v. Arica Inst., Inc.*, 557

---

[20]Specifically, defendants object to plaintiff's request to enjoin Van Klassens from 1) advertising that its furniture is made of solid Honduran mahogany and 2) unfairly competing with plaintiff by emphasizing in advertising the use of Awlgrip paint, West System Epoxy, nautical lines, boat building materials, boat building techniques and mortise and tenon joinery

F.2d 338, 343 n.9 (2d Cir. 1977); *Shen Mfg. Co. v. Suncrest Mills, Inc.*, 673 F. Supp. 1199, 1207 (S.D.N.Y. 1987) (Tenney, J.); *Taylor Wine Co. v. Bully Hill Vineyards, Inc.*, 208 U.S.P.Q. 80 (W.D.N.Y. 1979). However, monetary fines for violations of the injunction should not be explicitly provided for unless there has been a showing either that the requested amount bears a reasonable relationship to Imagineering's probable loss or that any such loss would be difficult to estimate precisely. *See, e.g. United Air Lines, Inc. v. Austin Travel Corp.*, 867 F.2d 737, 740 (2d Cir. 1989) (establishing basic framework for evaluating liquidated damages provision in contract).

Finally, it is insufficient for the injunction to contain only the requirement that Van Klassens clearly label its products in the future. Even if the court assumes arguendo that labelling would be effective in eliminating customer confusion in certain situations, such as at the point of sale, it still would not address "other forms of likely confusion that are equally actionable" and relevant in this case, such as post-sale confusion. *See Lois Sportswear U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872-75 (2d Cir. 1986); *see also Harlequin Enters. Ltd.*, 644 F.2d at 949 (difference in names insufficient because "combination of features as a whole" is determinative); *PAF S.r.l. v. Lisa Lighting Co.*, 712 F. Supp. 394, 411 (S.D.N.Y. 1989) (Newman, J.) (where trade dress distinctive and products closely resemble one another, labelling insufficient).

CONCLUSION

Defendants have failed to prove that laches should bar plaintiff's claims. The court awards Imagineering $704,211.05 in attorney's fees and $250,000 in enhanced damages. This award is in addition to the $860,000 in compensatory damages and $4 million in punitive damages awarded by the jury at trial. Plaintiff is entitled to its costs. Finally, plaintiff is ordered to submit on notice a proposed form of injunction consistent with this opinion.

IT IS SO ORDERED.

Dated: New York, New York
March 30, 1994

Robert L. Carter, U.S.D.J.

IMAGINEERING, INC. Plaintiff, -against- VAN KLASSENS, INC. and ROBERT LUKINGBEAL, Defendants.

IMAGINEERING, INC. v. VAN KLASSENS, INC.
92 Civ. 0751 (RLC)

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

797 F. Supp. 329

September 4, 1992, Decided

COUNSEL: HESLIN & ROTHENBERG, P.C., Attorneys for Plaintiff, 450 New Karner Rd., P.O. Box 12695, Albany, New York 12212-2695, SUSAN F. GULLOTTI, NICHOLAS MESITI, Of Counsel.

ROBINSON BROG LEINWAND REICH GENOVESE & GLUCK, P.C., Attorneys for Defendants, 1345 Avenue of the Americas, New York, New York 10105, DAVID C. BURGER, Of Counsel.

PITTS & BRITTIAN, Attorneys for Defendants, P.O. Box 51295, Knoxville, TN 37950-1295.

ROBERT L. CARTER, District Judge

Plaintiff, Imagineering, Inc., brings this action against defendants Van Klassens, Inc. and Robert Lukingbeal, alleging claims for patent infringement under 35 U.S.C. § 271, for unfair competition under 15 U.S.C. § 1125(a), and alleging pendent state claims for unfair competition and dilution. Defendants have moved, under Rules 12(b)(2) and 12(b)(3), F.R.Civ.P., to dismiss this action for lack of personal jurisdiction and improper venue, or alternately to transfer this action, under 28 U.S.C. § 1404(a), to the Eastern District of Tennessee.

I.

Plaintiff is engaged in the manufacture, advertising and sale of garden furniture under the trade name "Weatherend." Plaintiff also possesses a patent, Patent No. 313,320, for a particular rocking chair. Defendant Van Klassens, Inc. also sells a line of garden furniture, including rocking chairs ("rockers"), that resembles that manufactured by plaintiff. Defendant Lukingbeal is the president of Van Klassens. From 1987 to 1991 a series of communications occurred between plaintiff and defendants, in which plaintiff alleged that a number of pieces of defendants' furniture were imitations of those manufactured by plaintiff and that defendants' sale of such furniture violated unfair competition laws and infringed on plaintiff's rocking chair patent. In November, 1991, defendant Van Klassens filed a declaratory judgment action in the Eastern District of Tennessee (the "Tennessee action"), to disprove plaintiff's allegations. Plaintiff subsequently began this action.

The parties agree that the following constitute defendants' relevant furniture sales in New York over the last five years. Since 1987, defendants have sold 1,796 pieces of furniture, of which 13% have been sold in New York. In this period, defendants have sold 2 allegedly infringing rocking chairs in New York, or 2% of defendants' total sales of the rocking chairs. Affidavit of Robert Lukingbeal at 5. Defendants, contending that these sales figures are insufficient to form the basis for personal jurisdiction or venue in this district, have moved for dismissal or transfer. Subsequent to defendants' motion, the court in the Tennessee action determined that venue was improper in that district and transferred that action to this district for consolidation.

II.

Plaintiff bears the burden of establishing that the court possesses personal jurisdiction over defendants. See *Cutco Indus., Inc. v. Naughton*, 806 F.2d 361, 365 (2d Cir. 1986); *Volkswagen de Mexico, S.A. v. Germanischer Lloyd*, 768 F. Supp. 1023, 1027 (S.D.N.Y. 1991) (Cedarbaum, J.). In a case arising under a federal law which does not provide for service of process on a party not an inhabitant of or found within the forum state, federal courts must defer to the forum state's long arm statutes to determine the issue of personal jurisdiction. *See*

Omni Capital Int'l v. Rudolf Wolff & Co., Ltd., 484 U.S. 97, 108 S. Ct. 404, 98 L. Ed. 2d 415 (1987). Therefore New York's long arm statute controls defendants' amenability to suit in this district.

The New York long arm statute, N.Y. CPLR § 302(a)(2) (McKinney 1990), provides:

> As to a cause of action arising from any of the acts enumerated in this section, a court may exercise personal jurisdiction over any non-domiciliary . . . who in person or through an agent:
>
> . . .
>
> 2. commits a tortious act within the state . . .;

The statute requires that the cause of action arise from the acts that constitute the basis for personal jurisdiction. See N.Y. CPLR § 302(a) (McKinney 1990); *Business Trends Analysts v. Freedonia Group, Inc.*, 650 F. Supp. 1452, 1456 (S.D.N.Y. 1987) (Weinfeld, J.). For each of plaintiff's claims in the present case, the cause of action is deemed to arise where the allegedly infringing sales were made. §, 1991 U.S. Dist. LEXIS 11666, 19 U.S.P.Q.2d (BNA) 1079 (S.D.N.Y. 1991) (Conboy, J.) (patent infringement); *Business Trends, supra*, 650 F. Supp. at 1455-56 (S.D.N.Y. 1987) (unfair competition and dilution). Therefore personal jurisdiction will depend on the existence of sales of the allegedly infringing products in New York.

With respect to plaintiff's patent infringement claim, defendants contend that their sales of the infringing products in New York are too negligible to be the basis for personal jurisdiction, relying on their sale of only two rockers in the past five years in New York. While this only constitutes 2 per cent of defendants' total rocker sales, it has consistently been held that section 302(a)(2) "requires no specified level of activity within the State, but only that plaintiff suffer some damage as a result of a tortious act committed . . . in New York." *Honda Assocs., Inc. v. Nozawa Trading, Inc.*, 374 F. Supp. 886, 889 (S.D.N.Y. 1974) (Conner, J.); accord *Sun Hill Indus. Inc. v. Holiday Trims Inc.*, 1991 U.S. Dist. LEXIS 15462, 20 U.S.P.Q.2d (BNA) 1851,

1855 (E.D.N.Y. 1991); *Business Trends, supra*, 650 F. Supp. at 1455-56; *Factors Etc., Inc. v. Pro Arts, Inc.*, 444 F. Supp. 288, 291 (S.D.N.Y. 1977) (Tenney, J.), aff'd 579 F.2d 215 (2d Cir. 1978), *cert. denied*, 440 U.S. 908, 59 L. Ed. 2d 455, 99 S. Ct. 1215 (1979). Hence personal jurisdiction may be established over a defendant when New York sales constitute only a small percentage of the infringing activities. *See Fox-Rich Textiles Inc. v. Malden Mills Indus. Inc.*, 1989 U.S. Dist. LEXIS 13437, 14 U.S.P.Q.2d (BNA) 1843, 1845 (S.D.N.Y. 1989)(Owen, J.) (0.8 percent); *Factors, supra*, 444 F. Supp. at 288 (less than one percent); *Honda*, supra, 374 F. Supp. at 888 (1/100 of 1 percent).

Defendants, in arguing that their contacts with New York are insufficient to constitute the basis of venue, rely primarily on *McKee Electric Co. v. Rauland-Borg Corporation*, 20 N.Y.2d 377, 283 N.Y.S.2d 34, 229 N.E.2d 604 (1967), in which the New York Court of Appeals stated: "only in a rare case should [defendants] be compelled to answer a suit in a jurisdiction with which they have the barest of contact." See 20 N.Y.2d at 383, 283 N.Y.S.2d at 38. However, in that case the court was construing section 302(a)(1), rather than section 302(a)(2), the provision at issue here. Section 302(a)(1) confers jurisdiction over a defendant who "transacts any business within the state or contracts anywhere to supply goods or services in the state." N.Y. CPA § 302(a)(1) (McKinney 1990). Courts have not placed such a construction of section 302(a)(2). See *Fox-Rich Textiles, supra*, 14 U.S.P.Q.2d at 1845; *Factors, supra*, 444 F. Supp. at 288; *Honda, supra*, 374 F. Supp. at 888.

Moreover, in McKee, the Court of Appeals specifically noted that the acts committed by the defendants in New York did not give rise to the tort sued upon in that case, see 20 N.Y.2d at 381, 283 N.Y.S.2d at 37, and for that reason could not be the basis of personal jurisdiction. See 20 N.Y.2d at 382, 283 N.Y.S.2d at 38. The facts of McKee fit within the rule that "single or isolated items of activities" which are unrelated to the lawsuit cannot be the basis for personal jurisdiction. See *International Shoe Co. v. Washington Office of Unemployment Compensation & Placement*, 326 U.S. 310, 317, 90 L. Ed. 95, 66 S.

Ct. 154 (1945). In the present case, defendants' activities in New York provide the basis for both personal jurisdiction and the cause of action sued upon and thus do not come within the ambit of the rule stated in McKee.

Therefore, based on defendants' sales of rockers in New York, it is clear that the court possesses personal jurisdiction over plaintiff's patent infringement claims. Likewise the court possesses jurisdiction over plaintiff's unfair competition and dilution claims based on sales of defendants' other furniture, since 13 percent of this furniture was sold in New York.

III.

Defendants have also moved to dismiss or transfer this action for improper venue. As indicated by the following discussion, venue is proper in this district and this motion must be denied.

Venue in an action for patent infringement is governed by 28 U.S.C. § 1400(b) which provides that venue may be established where "the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." In 1988, Congress amended 28 U.S.C. § 1391(c), the general corporation venue statute, which provides that: "for purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced." See Pub. L. 100-702, Title X, § 1013, 102 Stat. 4669 (Nov. 19, 1988). Sections 1391(c) and 1400(b) are in the same chapter of the Judicial Code. Therefore, courts have interpreted these two sections as establishing venue in any district where a corporation is subject to personal jurisdiction. *See VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), *cert. denied*, 113 L. Ed. 2d 248, 111 S. Ct. 1315 (1991); Farberware, supra, 19 U.S.P.Q.2d at 1080; *Regents of University of California v. Eli Lilly & Co.*, 734 F. Supp. 911 (N.D.Cal. 1990). But see *Doelcher Prods. Inc. v. Hydrofoil Int'l Inc.*, 735 F. Supp. 666 (D. Md. 1989). Since defendants are subject to personal jurisdiction in this district, venue is proper here with respect to plaintiff's patent infringement claims.

Venue for plaintiff's other claims is governed by two identically worded provisions of the general venue statute, 28 U.S.C. § 1391(a)(1) and § 1391(b)(1), which provide that venue is proper in "a judicial district where any defendant resides, if all defendants reside in the same State." Assuming that defendant Lukingbeal is sued in his official capacity only, both he and the defendant corporation reside in the same state.[1] Section 1391(c) is also incorporated into analysis of venue under sections 1391(a) and (b), making venue proper where defendants are subject to personal jurisdiction. Therefore venue is proper in this district with respect to plaintiff's remaining claims.

IV.

Finally, defendants have moved, under 28 U.S.C. § 1404(a), to transfer this action to the Eastern District of Tennessee. Section 1404(a) allows transfer of an action "for the convenience of parties and witnesses, in the interest of justice" to another district "where it might have been brought." However, it is evident that this action could not have been brought in the Eastern District of Tennessee, since that court has already determined that venue for Van Klassens' declaratory judgment action was improper in that district and transferred that action here. Therefore this action cannot be transferred to the Eastern District of Tennessee and defendants' motion must be denied.

CONCLUSION

Accordingly, defendants' motion, under Rules 12(b)(2) and 12(b)(3), F.R.Civ.P., to dismiss this action for lack of personal jurisdiction and improper venue is denied. Defendants' motion to transfer this action, under 28 U.S.C. § 1404(a), to the Eastern District of Tennessee is denied.

---

[1]It should be noted that analysis of venue for these claims and for plaintiff's patent claims depends on the assumption that defendant Lukingbeal is sued in his official capacity only. If sued in this capacity, the suit against Lukingbeal, "is, in all respects other than name, to be treated as a suit against the [corporation]." *Kentucky v. Graham*, 473 U.S. 159, 166, 87 L. Ed. 2d 114, 105 S. Ct. 3099 (1985). If also sued in his individual capacity, serious questions would be raised as to whether Lukingbeal resides in the same district as Van Klassens for the purposes of sections 1391(a) and (b), and whether section 1391(c), the corporation venue statute, could be applied to him.

IT IS SO ORDERED.

Dated: New York, New York
September 4, 1992

Robert L. Carter
U.S.D.J.

United States Patent [19]

Fisher

[11] **Patent Number: Des. 313,320**

[45] **Date of Patent: .. Jan. 1, 1991**

[54] **ROCKING CHAIR**

[75] Inventor: **William J. Fisher, Rockland, Me.**

[73] Assignee: **Imagineering, Inc., Rockland, Me.**

[**] Term: **14 Years**

[21] Appl. No.: **937,127**

[22] Filed: **Dec. 2, 1986**

[52] U.S. Cl. D6/348

[58] Field of Search D6/348, 370; 297/261, 297/258

[56] **References Cited**

U.S. PATENT DOCUMENTS

D. 121,072	6/1940	Johnson	D6/370
D. 273,061	3/1984	Goff	D6/348

OTHER PUBLICATIONS

Heywood-Wakefield, p. 146, Rocker A, 718-6, upper left corner.

Weatherend Estate Furn., ©1986, Settee, p. 7, circa 1915, submitted by applicant.

Primary Examiner—Bruce W. Dunkins

Assistant Examiner—Ann Hunt

Attorney, Agent, or Firm—Heslin & Rothenberg

[57] **CLAIM**

The ornamental design for a rocking chair, as shown and described.

DESCRIPTION

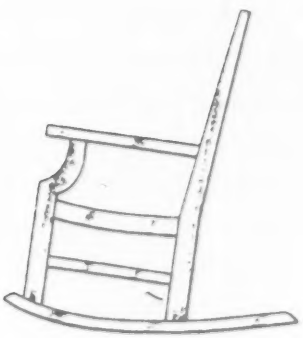
FIG. 1 is a front perspective view of the rocking chair showing my new design;

FIG. 2 is a side elevational view;

FIG. 3 is a top view; and

FIG. 4 is a front perspective view thereof.

The design is characterized by the combination of the arcuate seat and the specifically configured front leg members in association with the rearwardly angled backrest supports, all as best illustrated in FIG. 2.



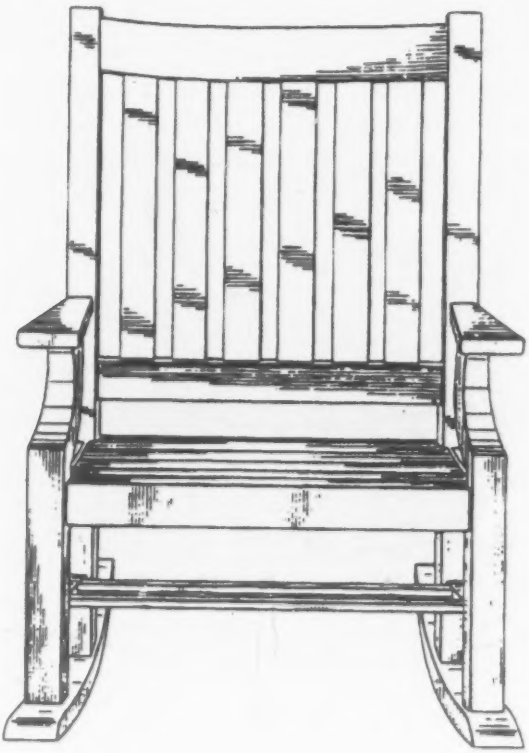


FIG. 1

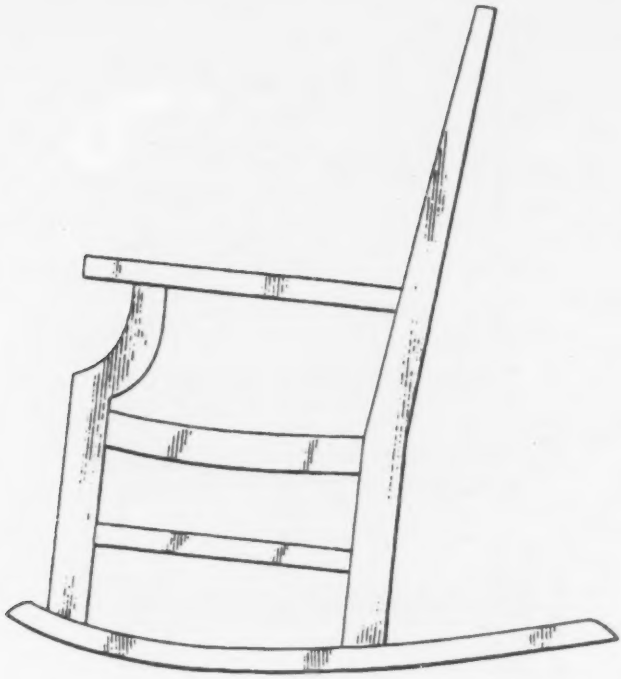


FIG. 2

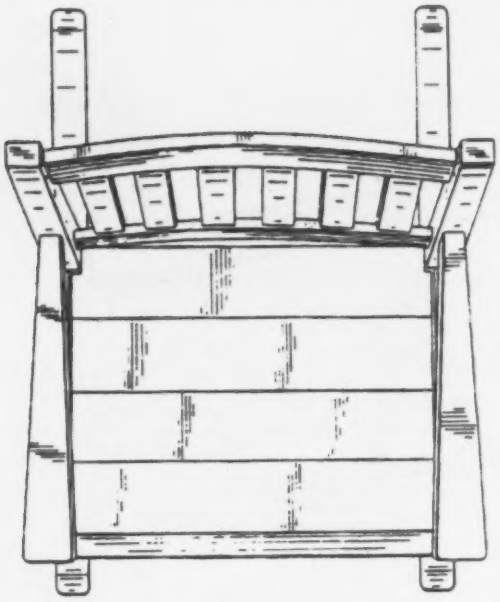


FIG. 3

FIG. 4

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re U.S. Patent No.: Des. 313,320

Inventor: William J. Fisher

Assignee: Imagineering, Inc.

Issued: January 1, 1991

For: Rocking Chair

To: Hon. Commissioner of Patents and Trademarks
Washington, D.C. 20231

Attn: Certificate of Correction Branch

DISCLAIMER OF PATENT UNDER 35 USC §253

Dear Sir:

Imagineering, Inc., as assignee of the United States Design Patent No. 313,320 by a document dated March 6, 1987 and executed by the inventor, William J. Fisher, and recorded in the United States Patent and Trademark Office on March 13, 1987, at Reel 4696, Frame Nos. 832 and 833, has reason to believe that without any deceptive intention that the claim of said letters patent are invalid for reasons pursuant to 35 USC §102(b). Imagineering, Inc. has reason to believe a patented rocking chair was offered for sale more than one year before the application was filed. Thus, Imagineering, Inc. herewith disclaims and dedicates to the public the design patent claim for the entire term of the aforesaid United States Patent.

The fee required by 37 CFR 1.20(d) is submitted herewith.

Ralph Becker
Executive Vice President
Imagineering, Inc.

Sworn to before me this

16th day of February, 1993.

Susan Farley Gullott
Notary Public

SUSAN FARLEY GULLOTT
Notary Public, State of New York
Qualified in Albany County
My Commission Expires 2-10-94